



**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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J. TYLER McCAULEY
AUDITOR-CONTROLLER

WENDY L. WATANABE
CHIEF DEPUTY

October 4, 2007

TO: Supervisor Zev Yaroslavsky, Chairman
Supervisor Gloria Molina
Supervisor Yvonne B. Burke
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: J. Tyler McCauley 
Auditor-Controller

SUBJECT: **CATHOLIC CHARITIES OF LOS ANGELES, INC. CONTRACT – A
DEPARTMENT OF COMMUNITY AND SENIOR SERVICES
WORKFORCE INVESTMENT ACT PROGRAM PROVIDER**

We have conducted a program, fiscal and administrative contract review of Catholic Charities of Los Angeles, Inc., dba Archdiocesan Youth Employment Services, (Catholic Charities or Agency), a Department of Community and Senior Services (DCSS) Workforce Investment Act (WIA) program provider.

Background

DCSS contracts with Catholic Charities, a private non-profit agency to provide and operate the WIA Youth and Foster Youth Programs. The WIA Youth and Foster Youth Programs are comprehensive training and employment programs for in-school, out-of-school, and foster youths ages 14 to 21 years old. Catholic Charities' offices are located in the First, Second, Third and Fifth Districts.

Catholic Charities is compensated on a cost reimbursement basis. Catholic Charities' contract was for \$994,565 for Fiscal Year 2006-07.

Purpose/Methodology

The purpose of the review was to determine whether Catholic Charities complied with its contract terms and appropriately accounted for and spent WIA funds in providing

"To Enrich Lives Through Effective and Caring Service"

services to eligible youth participants. We also evaluated the adequacy of the Agency's accounting records, internal controls and compliance with federal, State and County guidelines.

Results of Review

Catholic Charities billed DCSS for subcontractors based on budgeted amounts not on actual expenditures as required by the County contract. Catholic Charities also did not adequately monitor the four subcontractors providing WIA program services.

In addition, Catholic Charities did not comply with County contract requirements. Specifically, Catholic Charities did not:

- Accurately report the participants' program activities, such as subsidized employment, exit, supportive services and leadership, in the Job Training Automation system for six (40%) of the 15 youth participants sampled.
- Maintain supporting documentation for four (27%) of the 15 participants sampled for the services reported on the JTA system.
- Appropriately allocate travel expenditures in accordance with the Agency's Cost Allocation Plan.

Details of our review along with recommendations for corrective action are attached.

Review of Report

We discussed our report with Catholic Charities and DCSS on June 13, 2007. In their attached response, Catholic Charities disagreed with a number of our findings and recommendations. They indicated that we did not allow them the opportunity to provide the documentation to support their compliance with the County contract.

We discussed the details of our findings pertaining to the participants' case files with the Executive Director and Program Coordinator on January 24, 2007, at which time the Executive Director and/or the Program Coordinator reviewed the participants' case files and did not locate the missing documentation. Catholic Charities' management indicated that they would provide the missing documentation to support eligibility and to resolve the findings within five business days. We followed up with the Agency on February 12, 2007, February 14, 2007 and again at the exit on June 13, 2007, to obtain the documentation. However, the Agency did not provide the documents. At the Agency's request, we again provided detailed descriptions of our findings on May 29, 2007 and May 30, 2007. In instances where the Agency provided the appropriate documentation, we adjusted the findings noted in this report.

DCSS concurred with our findings and will follow-up on our recommendations to ensure that the outstanding recommendations are resolved. We thank Catholic Charities for their cooperation and assistance during this review. Please call me if you have any questions or your staff may contact Don Chadwick at (626) 293-1102.

JTM:MMO:DC

Attachment

c: William T Fujioka, Chief Executive Officer
Cynthia Banks, Director, Department of Community and Senior Services
Rev. Monsignor Gregory A. Cox, Executive Director, Catholic Charities of Los Angeles, Inc. dba Archdiocesan Youth Employment Services
Public Information Office
Audit Committee

**WORKFORCE INVESTMENT ACT PROGRAM
CATHOLIC CHARITIES OF LOS ANGELES, INC.
FISCAL YEAR 2006-07**

ELIGIBILITY

Objective

Determine whether Catholic Charities of Los Angeles, Inc., dba Archdiocesan Youth Employment Services, (Catholic Charities or Agency) provided services to individuals that meet the eligibility requirements of the Workforce Investment Act (WIA).

Verification

We reviewed the case files for 15 of the 93 youth and foster youth participants that received services from July 2006 through December 2006 for documentation to confirm their eligibility for WIA services.

Results

Catholic Charities did not maintain appropriate documentation to support one participant's eligibility to receive program services. Specifically, the cases did not contain a statement from the youth or their parent/guardian stating the reason for the youth's need for services. The prior year's monitoring report also noted that the Agency did not always obtain appropriate documentation from participants to determine their eligibility for program services prior to enrollment.

Subsequent to our review, Catholic Charities obtained additional documentation to support the participant's eligibility.

Recommendation

1. **Catholic Charities management ensure that staff obtain the appropriate documentation from the participants to determine the participants' eligibility for program services prior to enrollment.**

BILLED SERVICES/CLIENT VERIFICATION

Objective

Determine whether Catholic Charities provided the services in accordance with the County contract and WIA guidelines. In addition, determine whether the participants received the billed services.

Verification

We reviewed the documentation contained in the case files for 15 (16%) participants that received services during July 2006 through December 2006. We also interviewed five participants/guardians.

Results

The five program participants/guardians interviewed stated that the services they received met their expectations. However, Catholic Charities did not always comply with WIA or County contract requirements. Specifically:

- Catholic Charities did not accurately report the participants' program activities, such as subsidized employment, exit dates and supportive services in the Job Training Automation (JTA) system for six (40%) of the 15 participants sampled. The JTA system is used by the State of California Employment Development Department and the Department of Labor to track WIA participant activities.
- Catholic Charities did not maintain supporting documentation for four (27%) of the 15 participants sampled for the supportive services reported on the JTA system.
- Catholic Charities did not administer the post-assessment test for one (7%) of the 15 participants within one year of the pre-assessment exam.

The prior year's monitoring report also noted that the Agency did not accurately report the participants' program activities in the JTA system or administer the post-assessment test within one year of the pre-assessment exam.

Subsequent to our review, Catholic Charities provided additional documentation to support the supportive services provided to the four youth participants and the post-assessment administered to the one participant.

Recommendations**Catholic Charities management:**

2. **Ensure that staff update the JTA system to accurately reflect the participants' program activities as required.**
3. **Ensure that appropriate documentation is maintained in the participants' case files to support the program activities reported on the JTA system.**
4. **Ensure that the post-assessments are given to the participants within one year of the pre-assessment in accordance with WIA guidelines.**

CASH/REVENUE**Objective**

Determine whether cash receipts and revenues are properly recorded in the Agency's records and deposited timely in their bank account. Determine whether there are adequate controls over cash, petty cash and other liquid assets.

Verification

We interviewed Agency personnel and reviewed financial records. We also reviewed Catholic Charities' bank reconciliation for November 2006.

Results

Catholic Charities maintained adequate controls to ensure that cash receipts and revenues were properly recorded and deposited in a timely manner. However, Catholic Charities did not always place stop payments on outstanding checks older than 180 days as required by the Agency's accounting policies and procedures. Specifically, Catholic Charities did not place a stop payment for 17 outstanding checks totaling \$6,285 that were older than 180 days.

Recommendation

5. Catholic Charities management place a stop payment on outstanding checks older than 180 days and return the funds to the appropriate funding source.

EXPENDITURES/PROCUREMENT**Objective**

Determine whether program related expenditures are allowable under the County contract, properly documented and accurately billed.

Verification

We interviewed Agency personnel, reviewed financial records and reviewed documentation for 48 non-payroll expenditure transactions for July, September, October and November 2006, totaling \$39,234.

Results

Catholic Charities overbilled DCSS \$342 in unallowable expenditures. Specifically, Catholic Charities billed DCSS \$342 in supportive services incurred in the prior fiscal year. Catholic Charities also billed DCSS \$49,997 in subcontractors expenditures

based on budgeted amounts not actual expenditures as required by the County contract. According to the Agency management, they adjust their books to reflect actual expenditures at the end of the program year and bill DCSS accordingly. Per DCSS, Catholic Charities needs to adjust their records to actual expenditures in the subsequent month, or at a minimum on a quarterly basis to ensure that the amounts billed to DCSS are based on actual expenditures. During our next year's monitoring review, we will review Fiscal Year 2006-07 subcontractors' expenditures to ensure that actual expenditures are reported.

Recommendations

Catholic Charities management:

- 6. Repay DCSS \$342.**
- 7. Request for reimbursement for actual expenditures incurred during the program year.**
- 8. Adjust the subcontractors' expenditures to reflect actual expenditures in the subsequent month, or at a minimum on a quarterly basis.**

INTERNAL CONTROLS/CONTRACT COMPLIANCE

Objective

Determine whether the contractor maintained sufficient internal controls over its business operations. In addition, determine whether the Agency is in compliance with other program and administrative requirements.

Verification

We interviewed Agency personnel, reviewed their policies and procedures manuals, conducted an on-site visit, and tested transactions in non-cash areas such as expenditures, payroll and personnel.

Results

Catholic Charities' procedural manual consisted of the WIA technical assistance guide and copies of various program directives. However, the Agency's manual did not identify specific procedures for administering the program, such as how the staff should screen and document the participants' eligibility, when program activities should be reported on the JTA system or when the staff should administer the post-assessment for basic skills deficient participants. As indicated earlier, the Agency did not always obtain appropriate documentation from the participants to determine the participants' eligibility, accurately report program activities into the JTA system or administer the post-assessment test within one year of the pre-assessment exam as required.

Catholic Charities also did not always comply with County contract requirements. Specifically, Catholic Charities did not:

- Adequately monitor the four subcontractors providing WIA program services as required by the County contract. Specifically, the monitoring reviews of the subcontractors did not include a review to determine whether the subcontractors provided the required program services in accordance with the County contract and WIA guidelines.
- Submit their invoices to DCSS within ten working days of the month immediately following the month in which the services invoiced were rendered. The prior years' monitoring reports for FY 2004-05 and FY 2005-06 also noted that the Agency did not submit their invoices to DCSS timely.

Recommendations

Catholic Charities management:

9. Ensure that an operating procedural manual for administering the WIA Youth Program is developed in compliance with WIA guidelines and distributed to personnel.
10. Ensure that all subcontractors are adequately monitored to ensure compliance with the County contract and WIA guidelines.
11. Ensure that invoices are submitted to DCSS within ten working days of the month following the month in which the services invoiced were rendered.

FIXED ASSETS AND EQUIPMENT

Objective

Determine whether Catholic Charities' fixed assets and equipment purchases made with WIA funds are used for the WIA program and that the items are safeguarded.

We did not perform testwork in this section as Catholic Charities had not used WIA funds at the time of our monitoring review (January 2007) to purchase fixed assets or equipment.

PAYROLL AND PERSONNEL

Objective

Determine whether payroll is appropriately charged to the WIA program. In addition, determine whether personnel files are maintained as required.

Verification

We traced and agreed the payroll expenditures for 21 employees totaling \$37,543 to the payroll records and time reports for October 2006. We also interviewed two staff and reviewed personnel files for five employees assigned to the WIA program.

Results

Catholic Charities' payroll was appropriately charged to the WIA program. However, Catholic Charities did not perform a criminal clearance for two (40%) of the five employees sampled or maintain signed employee acknowledgement and confidentiality agreement forms for three (60%) of the five employees sampled. In addition, none of the five employees' personnel files contained copies of the employees' driver's licenses and proof of automobile insurance. The prior year's monitoring report also noted that the Agency did not maintain all the required documents in the personnel files for their employees.

Subsequent to our review, Catholic Charities obtained additional documentation to support that the criminal record clearance, signed employee acknowledgement and confidentiality agreement forms, copies of employees' driver's licenses and proofs of automobile insurance were obtained for all five employees.

Recommendations**Catholic Charities management:**

12. Perform a criminal record check on future employees assigned to the WIA program.
13. Ensure that employees' personnel files contain signed employee acknowledgement and confidentiality agreement forms, copies of employees' driver's licenses and proofs of automobile insurance.

COST ALLOCATION PLAN**Objective**

Determine whether the Agency's Cost Allocation Plan was prepared in compliance with the County contract and the Agency used the plan to appropriately allocate shared program expenditures.

Verification

We reviewed Catholic Charities' Cost Allocation Plan and reviewed a sample of expenditures incurred by the Agency for July, September, October and November 2006 to ensure that the expenditures were properly allocated to the Agency's programs.

Results

Catholic Charities did not appropriately allocate their travel expenditures as required. According the Agency's Cost Allocation Plan, mileage expenditures are to be allocated as either direct or indirect charges depending on whether the employees' salaries are allocated directly or indirectly to the programs. However, Catholic Charities allocated their mileage costs based on a ratio of total program direct cost to the organization's direct cost.

Recommendation

14. **Catholic Charities management comply with the Agency's Cost Allocation Plan and ensure that costs are appropriately allocated.**

CLOSE-OUT REVIEW**Objective**

Determine whether Catholic Charities' Fiscal Year (FY) 2005-06 final close-out invoice reconciles to the Agency's financial accounting records.

Verification

We traced and agreed the Agency's FY 2005-06 general ledger to the Agency's final close-out invoice for FY 2005-06.

Results

Catholic Charities' final close-out invoice reconciled to the Agency's general ledger.

Recommendation

There are no recommendations for this section.

PRIOR YEAR FOLLOW-UP**Objective**

Determine the status of the recommendations reported in the prior monitoring review completed by the Auditor-Controller.

Verification

We verified whether the outstanding recommendations from FY 2005-06 monitoring review were implemented. The report was issued on September 22, 2006.

Results

The prior monitoring report contained eight recommendations. Catholic Charities implemented three of the eight recommendations. As indicated earlier, the findings related to recommendations 1, 2, 4, 11 and 13 were also noted during our prior monitoring review. Catholic Charities management indicated that the Agency plans to implement the outstanding recommendations in FY 2007-08.

Recommendation

- 15. Catholic Charities management immediately implement the outstanding recommendations from FY 2005-06 monitoring report.**



Cardinal Roger M. Mahony
Chairman of the Board

Monsignor Gregory A. Cox
Executive Director

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July 13, 2007

J. Tyler McCauley, Auditor-Controller
Department of Auditor-Controller
Countywide Contract Monitoring Division
1000 S. Fremont Avenue, Unit #51
Alhambra, CA 91803
Attention: Yoon Bae

RE: Catholic Charities of Los Angeles, Inc. Contract-Workforce Investment Act Program

Dear Mr. McCauley,

Attached are Catholic Charities of Los Angeles, Inc.'s (CCLA) responses to the program, fiscal and administrative contract review of CCLA, dba Archdiocesan Youth Employment Services, (Catholic Charities or Agency), a Workforce Investment Act (WIS) program service provider, conducted by the County of Los Angeles Department of Auditor-Controller. The Results and Recommendations of the review by the County auditor have been restated below to conserve space. Our specific responses to those Results and Recommendations follow the Recommendations.

Unfortunately, we disagree with a number of the Results and Recommendations as stated in our attached responses. Although we felt that the audit process went well, there was a significant departure from previous years, in that, at the "exit interview" we did not have the opportunity to discuss or produce the documentation that the auditor claimed was lacking. We were told that we would get our opportunity when the "draft report" is issued. When the "draft report" was issued, there were a number of items that were not brought up at the "exit interview" and when we objected to the items and subsequently produced the items, we were told that the recommendations would stand, but a comment on the subsequent availability of the documents would be included. This is unfair because if the exit interview would have been conducted properly, these items would have been resolved before the "draft report" was issued.



Serving All People



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We hope that in the future that we will be allowed to resolve the issues at the time of the "exit interview".

If you have any questions regarding any of our responses, please contact me at the number below and I will be happy to discuss them with you or your staff.

Very truly yours,



David I. Furukawa
Assistant Controller
Catholic Charities of Los Angeles, Inc.
(213) 251-3466

Attachment (1)

cc: J. Bathker
S. Elder
R. Gutierrez
Y. Bae
Audit file

WORKFORCE INVESTMENT ACT PROGRAM
CATHOLIC CHARITIES OF LOS ANGELES, INC.
FISCAL YEAR 2006-07
ELIGIBILITY

Results

Catholic Charities did not maintain appropriate documentation to support one participant's barrier eligibility to receive program services. The prior year's monitoring report also noted that the Agency did not always obtain appropriate documentation from participants to determine their eligibility for program services prior to enrollment.

Subsequent to our review, Catholic Charities obtained additional documentation to support the participant's eligibility.

Recommendation

1. Catholic Charities management ensure that staff obtain the appropriate documentation from the participants to determine the participants' eligibility for program services prior to enrollment.

Response

1. AYE disagrees with the finding and we maintain that all required documents to support eligibility was in fact on file. The County auditor did not allow us an opportunity during the exit interview to provide evidence that the required document was in fact on file.

BILLED SERVICES/CLIENT VERIFICATION

Results

The five program participants/guardians interviewed stated that the services received met their expectations. However, Catholic Charities did not always provide the level of service required by the County contract.

The prior year's monitoring report also noted that the Agency did not accurately report the participants' program activities in the JTA system or administer the post-assessment test within one year of the pre-assessment exam.

Subsequent to our review, Catholic Charities provided additional documentation to support the supportive services provided to the four youth participants and the post-assessment administered to the one youth participant.

Recommendations

Catholic Charities management:

2. Ensure that staff updates the JTA system to accurately reflect the participants' program activities as required.
3. Ensure that appropriate documentation is maintained in the participants' case files to support the program activities reported on the JTA system.
4. Ensure that the post-assessments are given to the participants within one year of the pre-assessment in accordance with WIA guidelines.

Response

2, 3, 4. AYE disagrees with the extent of the audit findings. While there were some omissions, the percentage of exceptions cited by the auditor was overstated. We believe this was the result of an oversight by the auditor who did not afford us the opportunity to provide documents at the time of the audit. During the exit interview we presented the required documents and verified information was entered into the JTA system. Also, the audit cited that we were not reporting an outcome in the JTA system before the client completed training---training must be completed before it is entered into JTA.

CASH/REVENUE

Results

Catholic Charities maintained adequate controls to ensure that cash receipts and revenues were properly recorded and deposited in a timely manner. However, Catholic Charities does not always place stop payments on outstanding checks older than 180 days as required by the Agency's accounting policies and procedures. There were 17 outstanding checks older than 180 days, totaling \$6,285.

Recommendation

5. Catholic Charities management place a stop payment on outstanding checks older than 180 days and return the funds to the appropriate funding source.

Response

5. *Stop payments have been made on all the outstanding checks and moneys have been returned to original funding sources.*

EXPENDITURES/PROCUREMENT

Results

Catholic Charities over billed DCSS \$342 in unallowable expenditures. Specifically, Catholic Charities billed DCSS \$342 in supportive services incurred in FY 2005-06. Also DCSS was billed \$49,997 in subcontractor's expenditures based on budgeted amount and not actual expenditures as required by the County contract. Charities needs to adjust to actual expenditures in the subsequent month, at minimum on a quarterly basis. During our next year's monitoring review, we will review Fiscal Year 2006-07 subcontractors' expenditures to ensure that adjustments to actual expenditures were accurately made.

Recommendations

Catholic Charities management:

6. Repay DCSS \$342.
7. Request for reimbursement for actual expenditures incurred during the program year.
8. Adjust the subcontractors expenditures for actual expenditures in the subsequent month, or at minimum on a quarterly basis.

Response

6. This recommendation involved three participants. Two ended their participation on June 30, 2006 and one ended on July 31, 2006, qualifying this one participant as a carryover to 2006-07. The participants are eligible for support services for up to 12 months during the follow-up period. Consequently the payment period should not result in disallowed costs.

7. Catholic Charities requests acceptance of charges as reported in final invoice.
8. There was some misunderstanding as to what was said about subcontractors' billings. Catholic Charities does not bill DCSS subcontractors expenditures based solely on budgeted amounts, but rather it is based on our best estimates of what the final bill will be from the subcontractor. We will adjust the subcontractors expenditures on a quarterly basis, but final billings will still contain estimates because the subcontractors have the same problem we have in meeting the short billing deadline and cannot always submit their invoices to us so that we can include their final invoice information in our final billing to you.

INTERNAL CONTROLS/CONTRACT COMPLIANCE

Results

Catholic Charities did not maintain an appropriate operating procedural manual for administering the WIA youth program. Specifically, Catholic Charities' procedural manual consisted of the WIA technical assistance guide and copies of various program directives. However, the Agency's manual did not identify specific procedures for administering the program. Catholic Charities did not always comply with County contract requirements. Specifically, Catholic Charities did not:

- Adequately monitor the four subcontractors providing WIA program services as required by the County contract. Specifically, the monitoring reviews of the subcontractors did not include a review to determine whether the subcontractors provided the required program services in accordance with the County contract and WIA guidelines.
- Submit their invoices to DCSS within ten working days of the month immediately following the month in which the services invoiced were rendered. The prior years' monitoring reports for FY 2004-05 and FY 2005-06 also noted that the Agency did not submit their invoices to DCSS timely.

Recommendations

Catholic Charities management:

9. Ensure that a operating procedural manual for administering the WIA youth program is developed in compliance with WIA guidelines and distributed to personnel.

10. Ensure that all subcontractors are adequately monitored to ensure that all findings are resolved and recommendations implemented.
11. Ensure that invoices are submitted to DCSS within ten working days of the month following the month in which the services invoiced were rendered.

Response

9. The County auditor's opinion is that we should maintain more specific *and detailed step-by-step procedures and incorporate these into a procedural manual*. AYE uses standard reference manuals provided by the City WIA and State EDD Technical Assistance Guides. In addition, we provide management and professional staff with copies of County WIA Statement of Work and conduct regular leadership and operations meetings where we provide training materials and specific guidelines relating to management and program services. These reference documents are maintained in several reference binders and collectively represent comprehensive procedures. AYE also incorporates specific policies and procedures into its forms. For example, its participant timesheet outlines policy and procedures on the reverse side of the form. The same is true for the participant application.

CCLA's corporate manual also establishes agency wide policies and procedures covering human resources, financial reporting, resource development and other administrative policies approved by the Board of Trustees. CCLA is accredited by the National Council On Accreditation, which requires high standards and continuous quality improvement. Consequently, we believe that we have fulfilled this requirement.

10. We have contracted with the Harrington Group, CPAs to conduct annual fiscal reviews and to verify performance outcomes based on AYE internal reports. The County auditors wanted the report, at mid year, when they conducted their review, instead of at the end of program year, when the report is completed. This apparently is where the problem exists because a copy of last year's report was provided along with copy of current County Program Manager monitoring reports. This did not satisfy the County auditors.
11. Due to the current interface with our payroll provider, ADP, it is very difficult to meet the invoice reporting deadline using actual payroll amounts. It is possible for us to accrue the payroll information; however, this means that there is more work for the county and us in tracking the accrual, reversal and the actual amounts in the subsequent month. The extra couple of days it takes us to prepare the request,

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results in more accurate information. We have run into some compatibility issues between our accounting software and our report writer. We are working with our vendors to solve this issue. This has delayed our efforts in streamlining our month end closing/billing process.

FIXED ASSETS AND EQUIPMENT

The objective of this section was to determine whether Catholic Charities' fixed assets and equipment purchases made with WIA funds are used for the WIA program and that the items are safeguarded.

We did not perform test work in this section as Catholic Charities had not used WIA funds at the time our monitoring review (January 2007) to purchase fixed assets or equipment.

PAYROLL AND PERSONNEL

Results

Catholic Charities' payroll was appropriately charged to the WIA program. However, Catholic Charities did not perform a criminal clearance for two (40%) of the five employees sampled, or maintain signed employee acknowledgement and confidentiality agreement forms for three (60%) of the five employees sampled. In addition, copies of the employees' driver's licenses or proof of automobile insurance were not in the personnel files for all five (100%) employees assigned to the WIA program. The prior year's monitoring report also noted that the Agency did not maintain all the required documents in the personnel files for their employees.

Subsequent to our review, Catholic Charities obtained additional documentation to support that the criminal record clearance, signed employee acknowledgement and confidentiality agreement forms, copies of employees' driver's licenses and proofs of automobile insurance were obtained for all five employees.

Recommendations

Catholic Charities management:

12. Perform a criminal record check on future employees assigned to the WIA program.
13. Ensure that employees' personnel files are kept current and required documentation is maintained in the personnel files.

Response

12 & 13. Apparently there was miscommunication as to who was to schedule a visit with CCLA's Human Resources department. We did not find out about this until the exit interview (review of the draft report) where CCLA referred the auditor to reschedule the appointment with CCLA Human Resource department. It was our understanding that all required documents and background checks were verified by auditor. It was also noted that the legal residency and certain other records are not kept in the personnel file due to federal legal restrictions (e.g., citizenship and health related documents restricted by EEOC, INS and HIPPA). Based on discussions at the exit interview, it was our understanding that this would be deleted from the final report.

COST ALLOCATION PLAN

Results

Catholic Charities did not appropriately allocate the travel expenses as required. According to the Agency's Cost Allocation Plan, mileage expenses are to be allocated as either direct or indirect charges depending on whether the employees' salaries are allocated directly or indirectly to the programs. However, Catholic Charities inappropriately allocated the mileage expenses based on a ratio of total program direct cost to the organization's direct cost.

Recommendation

14. Catholic Charities management comply with the Agency's Cost Allocation Plan and ensure that costs are appropriately allocated.

Response

14. We disagree with this finding. Expenses in question for this finding were allocated properly according to our Cost Allocation Plan.

Total Mileage/Parking to Allocate	1,701.19	
Percent allocated	22.44%	
Total Mileage/Parking to Allocate to County WIA	<u>381.75</u>	
Total Expenses for County WIA Program	<u>46,316</u>	=
Total Expenses for all AYES Programs	206,421	22.44%

The personnel who incurred the \$1,474.94 in mileage expenses were charged as shared direct expenses for the month of October, 2006. Consequently, the mileage expenses were also charged as shared direct expenses, in accordance with the agency cost allocation plan.

CLOSE-OUT REVIEW

Results

Catholic Charities' final close-out invoice reconciled to the Agency's financial records.

Recommendation

There are no recommendations for this section.

PRIOR YEAR FOLLOW-UP

Verification

We verified whether the outstanding recommendations from FY 2005-06 monitoring review were implemented. The report was issued on September 22, 2006.

Results

The prior monitoring report contained eight outstanding recommendations. Catholic Charities implemented three of the eight recommendations. As indicated earlier, the five outstanding findings were also noted during our monitoring review. Catholic Charities management indicated that the Agency plans to implement the outstanding recommendations in FY 2007-08.

Recommendation

15. Catholic Charities management immediately implement the outstanding recommendations from FY 2005-06 monitoring report.

Response:

15. Catholic Charities has implemented all the outstanding recommendations from FY 2005-06 monitoring report, except for the recommendation regarding submitting the invoices to DCSS within ten working days of the month following the month in which the services were rendered. Also see recommendation #11 above for additional comments.